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APPLICATION OF

ROANOKE GAS COMPANY

CASE NO. PUE-2002-00373

For a general increase in rates

REPORT OF MICHAEL D. THOMAS, HEARING EXAMINER

December 13, 2002

On June 17, 2002, Roanoke Gas Company (“Roanoke Gas” or the “Company”) filed an Application with the State Corporation Commission (“Commission”) for a general increase in rates. The Company seeks to increase its annual revenues by \$1,276,206, an increase of approximately 2.9%. The proposed increase includes the impact of the Company’s termination of its Distribution System Renewal Surcharge (“DSR Surcharge”).¹ The rates are proposed to go into effect for service rendered on and after December 1, 2002. The proposed rates would increase customer bills between 1% and 7%, with the exception of interruptible transportation customers in Bluefield, where the increases would be in excess of 50%.

On July 17, 2002, the Commission entered an Order for Notice and Hearing. In the Order, the Commission docketed the Company’s Application; scheduled a public hearing to receive comments from members of the public and to receive evidence on the Application; authorized the Company to place its rates into effect on an interim basis on December 1, 2002, subject to refund; appointed a Hearing Examiner to conduct all further proceedings in this matter; directed the Company to publish notice of its proposed rate increase; and established a procedural schedule for the filing of testimony and exhibits.

On November 27, 2002, Roanoke Gas filed a Motion to Place Lower Rates into Effect. In its Motion, the Company stated that all of the parties in the case, the Company, the Commission Staff, and the Division of Consumer Counsel, agreed to stipulate to an annual revenue increase of \$989,741. The Company filed tariff sheets to reflect the proposed increase in rates and requested that the new rates be effective for service rendered on and after December 1, 2002. The parties also agreed to changes requested to the terms and conditions in the Company’s tariff. The requested Revenue Stabilization Factor has been modified to reflect Staff and Consumer Counsel recommendations and has been renamed the Weather Normalization Adjustment. With its Motion, the Company filed a bond in the amount of \$1,000,000 to secure the refund of any rates put into effect as of December 1, 2002, that the Commission later determines to be unjust and unreasonable.

By Hearing Examiner’s Ruling entered on December 2, 2002, the Company’s Motion to Place Lower Rates into Effect was granted. The Company’s requested annual revenue increase

¹ The revenue requirement associated with the DSR Surcharge termination is \$587,017 with \$579,144 attributable to Roanoke and \$7,872 attributable to Bluefield, and represents approximately 46% of the Company’s requested increase in revenue requirement.

of \$989,741 was placed into effect on December 1, 2002. Additionally, the Company's requested changes in its tariff, including the Weather Normalization Adjustment, were placed into effect, subject to final determination by the Commission. The Company's bond securing any possible refunds was accepted for filing. Finally, the Company was directed to keep accurate detailed accounts of all amounts received under the increased rates, and was advised that it would bear the cost of making any Commission directed refund.

On December 10, 2002, the hearing on the Company's Application was convened as scheduled. The Company appeared by its counsel, Richard D. Gary, Esquire. The Staff appeared by its counsel, Katharine A. Hart, Esquire. The Office of the Attorney General, Division of Consumer Counsel, appeared by its counsel, C. Meade Browder, Jr., Esquire. No public witnesses appeared at the hearing. The parties presented a Stipulation for the Commission's consideration that resolves all of the items in dispute between the parties. The Stipulation is attached hereto as Attachment A. After having been advised orally of the Hearing Examiner's findings and recommendations in this matter, the parties waived their opportunity to file comments to this Report. A copy of the transcript is being filed with this Report.

DISCUSSION

After considering the parties' testimony and exhibits admitted into the record, as well as the parties' Stipulation, I find the Company's \$989,741 annual increase in revenues is just and reasonable and should be approved by the Commission. Additionally, I find the Company's tariff revisions, including its Weather Normalization Adjustment, Main Extension Policy, Reconnection Fee, Credit Card Transaction Fee, and specified rounding of billing units in each Rate Schedule, are reasonable and should be approved by the Commission. Finally, I find the reporting requirements set forth in the Stipulation are reasonable.

Accordingly, ***I RECOMMEND*** that the Commission enter an order adopting the findings of this Report, approving the proposed revenue increase and amendments to the Company's tariff as set forth in Stipulation attached hereto.

Respectfully submitted,

Michael D. Thomas
Hearing Examiner